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License Income Distribution

1.0 PURPOSE

The purpose of this document is to describe how revenue from licensing Intellectual Property developed at Los Alamos National Laboratory (LANL or the Laboratory) is shared with Innovators, Eligible Contract Employees, and Divisions.

2.0 AUTHORITY AND APPLICABILITY

2.1 Authority

This document is issued under the authority of the Laboratory Director to direct the management and operation of the Laboratory, as delegated to the Principal Associate Director for Science, Technology, and Engineering (PADSTE) as provided in the [Prime Contract](#). This document derives from the Laboratory [Governing Policies](#), particularly the section on Assets Management.

- Issuing Authority (IA): Principal Associate Director for Science, Technology, and Engineering (PADSTE)
- Responsible Manager (RM): Technology Transfer (TT) Division
- Responsible Office (RO): Technology Transfer (TT) Division

2.2 Applicability

This document applies to all Laboratory workers.

3.0 PROCEDURE DESCRIPTION

License income generated by Laboratory-developed Intellectual Property is distributed to employees who create Intellectual Property (Innovators), Eligible Contract Employees who are co-inventors and co-authors, the Laboratory Division employing those individuals, and TT Division.

3.1 Distribution of Net License Income

3.1.1 *Distribution by Innovator's Hire Date*

Distribution of Net License Income is determined by the Innovator's Laboratory hire date as shown in Table 1.

Table 1. Distribution of Net License Income	
LANL Hire Date Before 10/01/97	LANL Hire Date On or After 10/01/97
42.5% = Innovator(s') Portion—distributed annually	35% = Innovator(s') Portion—distributed annually
35% = Laboratory Portion—held in trust by Technology Transfer (TT) for Innovator's Division	35% = Laboratory Portion—held in trust by TT for Innovator's Division
22.5% = Laboratory Portion—managed by TT on behalf of the Laboratory	30% = Laboratory Portion—managed by TT on behalf of the Laboratory

3.1.2 *Sharing of Proceeds With Co-Licensors*

When ownership of Licensed Property is shared with a third party, and the Laboratory and the third party have entered into an agreement to cooperate in licensing activities and share License income, the terms of such agreements take precedence over the terms in this document.

3.2 *Distribution of Net License Income to Innovators*

3.2.1 *Annual Payment*

Payments will be made at least annually to Innovators, or their heirs, successors, or assigns for Net License Income received in the previous fiscal year.

3.2.2 *Sharing of Proceeds by Co-Innovators*

For a given item of licensed Intellectual Property, co-innovators will share the Innovator's portion equally. Co-innovators who wish to distribute income in other than equal shares must establish a legal entity to receive and distribute License income.

3.2.3 *Withholding Distribution When Software is Not Deposited Into Energy Science and Technology Software Center (ESTSC)*

The Laboratory is required by the [Prime Contract](#) to deposit source code and related information on software with the ESTSC. Payments to the responsible Innovator(s) will be withheld until such deposit is complete.

3.2.4 *Withholding Distribution When Intellectual Property Rights are Under Dispute*

In the event of any actual or imminent litigation or any other action to protect patent rights or copyrights, payments to Innovator(s) of those patents or copyrights may be withheld until such matters are resolved.

3.3 *Distribution of Net License Income to Divisions*

3.3.1 *Management of Division Shares*

TT will determine each Division's License income allocation in accordance with Table 1. Divisions' portions of Net License Income will be held in trust and managed by TT to ensure that these funds are expended only on permissible activities, as defined in Section 3.4.1.

3.3.1.a *Deductions from Division Share*

Un-reimbursed overcosts will be deducted from the allocation.

3.3.2 *Sharing of Proceeds by Divisions*

When Innovators are from more than one Division, Divisions will be allocated a proportional share of Net License Income.

3.3.3 *Submission of Proposals for Using Division Share*

To access its License income allocation, a Division must submit a proposal to TT describing in detail the planned use of the funds. A Division may submit a proposal at any time after it receives notice of its allocation from TT. Proposals must be in a format provided by [II](#), and at a minimum must include the License income code and a narrative description of the project in sufficient detail to permit TT to determine that funds will be spent in accordance with Section 3.4.1. TT will use that information in its annual reporting to the Department of Energy (DOE).

3.3.4 Reporting and Withholding of Annual Allocation

By September 30 of each fiscal year, Divisions must submit a report describing the results of execution of their proposals for use of License income during that fiscal year. Divisions that do not provide a report will be ineligible to receive a future allocation until the report is submitted. TT will use that information, along with the original proposal, in its annual reporting to DOE.

3.3.5 Exceptions to Division Distribution

3.3.5.a Annual Minimum Allocation (Floor)

Division net allocations of new money received within a single fiscal year and totaling less than \$10K will be transferred to a License income pool that is managed by TT for strategic institutional investments and will not be distributed.

3.3.5.b Annual Maximum Allocation (Cap)

Division net allocations of new money received within a single fiscal year will be capped at \$200K, with the balance retained by TT to be used for strategic institutional investments. Such large allocations are expected to be rare and most likely the result of liquidating equity in a licensee. Division License income not spent by the end of the fiscal year will be carried over into the following fiscal year, but will not be included when calculating the maximum allocation.

3.4 Laboratory Use of License Income

3.4.1 Allowable Use of License Income

Federal law, DOE orders and policies, and the [Prime Contract](#) require that License income be spent for scientific research, development, technology transfer, and education, so long as these expenditures do not augment existing United States (US) Government funding.

3.4.2 Strategic Institutional Investments

TT is responsible for making investments that have the broadest possible benefit to the Laboratory as a whole. Such investments include, but are not limited to, funding seed research and development projects, technology maturation, Intellectual Property protection, and advance and bridge funding of Cooperative Research and Development Agreements (CRADAs) and Work for Others Non-Federal Entity (WFO-NFE) Agreements. Access to the pool of License income reserved for such investments normally will be through a competitive process.

3.4.3 Return of Excess Funds

If the total Laboratory portion of licensing income for a fiscal year exceeds 5% of the Laboratory's annual operating budget for that fiscal year, the Laboratory must remit 75% of such excess amounts to the Treasury of the United States.

4.0 RESPONSIBILITIES

4.1 Technology Transfer (TT) Division

- Determines allocation of License income to Innovators, Eligible Contract Employees, and Divisions and reports to Chief Financial Officer (CFO).
- Ensures that the Laboratory's share of License income is spent in compliance with federal law and the [Prime Contract](#).
- Submits an annual report of use of License income to DOE.
- Manages and invests the Laboratory's share of License income on behalf of the Laboratory.

4.2 Divisions

- Submit proposals to TT for use of License income.
- Submit an annual report of use of License income to TT.
- Ensure that the Laboratory's share of License income is spent in compliance with federal law and the [Prime Contract](#).

4.3 Managers

- Ensure that the Laboratory's share of License income is spent in compliance with federal law and the [Prime Contract](#).

5.0 IMPLEMENTATION

This document is effective on the issue date.

6.0 TRAINING

N/A

7.0 EXCEPTION OR VARIANCE

To obtain an exception or variance to this document, see the following instructions:

- Managers may request an exception or variance from the IA through the RM.
- At the IA's request, the RM will provide a recommendation or supporting information.
- The IA or his or her designee will provide the requester with a written response and copy the RM.

The requesting organization must maintain the official copy of record of the approved correspondence granting the exception or variance.

8.0 DOCUMENTS AND RECORDS

8.1 Office of Record

The Policy Office is the Laboratory Office of Record for this Institutional Document and maintains the administrative record.

9.0 DEFINITIONS AND ACRONYMS

9.1 Definitions

See LANL [Definition of Terms](#).

Author—Individual who fixes a Copyrighted Work in a tangible medium as determined by US Copyright Law. For example, Authors of software are those individuals who actually generate lines of code that are "fixed" in a tangible medium. Therefore, authorship would not include those individuals who were instrumental in only the design or planning of the completed code.

Co-Licenser—Non-Los Alamos National Security, LLC (LANS) entity that is a co-owner of Licensed Property and therefore has an interest in License income.

Copyrighted Work—An original work of authorship in which the expression of an idea is recorded or "fixed" in a tangible medium. Copyright protection covers the expression of the idea and not the underlying idea itself. Copyrighted Works include software codes, drawings, and the internal working configuration of databases.

Creator—Individual who creates the Mask Work(s) as determined by US Copyright Law.

Division—The Division that managed the Innovator at the time the Intellectual Property was created. If the relevant Division is reorganized into another Division, then the new incorporating Division will be considered the responsible Division. In the event that reorganization or an employee transfer makes it impossible to identify a responsible Division, TT will retain License income for strategic institutional investments.

Direct Expenses—Expenses incurred in obtaining patent rights and in licensing an innovation, including, but not limited to, costs of US and foreign patent filing, prosecution, and maintenance; Technical Assistance provided under the License; License audits; overdue payment collection; patent/copyright infringement and interference litigation; preparation and distribution of marketing materials; travel required to establish a License; transferring patent and other documentation; preparation and distribution of equipment or materials; gross receipts tax (paid only on Licenses to New Mexico companies); and other related costs.

Eligible Contract Employee—Laboratory contract employee whose employment agreement with the Laboratory or his/her subcontract employer permits him/her to share in License income received for Intellectual Property he/she helped conceive.

Foreign Filing Costs—Costs incurred for any activity related to foreign patent protection and maintenance. These costs may include, but are not limited to, such items as external patent agent fees, translation fees, and actual filing fees.

Gross License Income—All revenue that is received in a given fiscal year and that results from a License. These revenues include but are not limited to fees, royalties, maintenance fees, penalties, and reimbursements for Direct Expenses.

Innovator—The Inventor, Author, or Creator of Licensed Property who was employed by LANS or a LANS contractor at the time that he/she (1) conceived the Invention or first reduced it to practice, (2) authored the software or other Copyrighted Work, or (3) created the Mask Work.

Intellectual Property—Inventions, Copyrighted Works, and Mask Works.

Inventor—Individual who has contributed to the conception and reduction to practice of an Invention, as determined by US Patent Law.

Invention—A new and useful process, machine, manufacture, or composition of matter, or improvement thereof, as determined by US Patent Law.

License—A contractual agreement under which rights in Intellectual Property are granted by the owner of the Intellectual Property (the Licensor) to another party (the Licensee).

Licensed Intellectual Property—Intellectual Property that is owned in whole or in part by LANS and for which these rights have been granted to another party under a License.

Mask Work—A series of related images that represent the pattern formed on a semiconductor chip in accordance with US Copyright Law.

Net License Income—Gross License Income less Direct Expenses and payments to Co-Licensors.

Technical Assistance Cost—Payments made by Licensee for technical assistance, provided by Laboratory staff under the terms of the License, that are treated as Direct Expenses.

Un-Reimbursed Overcosts—For instances in which a Division exceeds its CRADA or WFO-NFE budget, and the overcost is not reimbursed by the sponsoring company or corrected by the Division, the overcost will be deducted from the Division's License income allocation. If a Division's License income for that year is insufficient to cover the overcost, that balance will be deducted from future allocations until the overcost is fully reimbursed.

9.2 Acronyms

See LANL [Acronyms and Names](#).

10.0 HISTORY

Revision History		
09/28/09	P833	Initial Issue

11.0 REFERENCES

[Prime Contract](#):

- [Clause I-127, DEAR 970.5227-3](#), *Technology Transfer Mission*; (h) *Disposition of Income*

12.0 FORMS

N/A

13.0 ATTACHMENTS

N/A

14.0 CONTACT

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